

Joint Legislative Audit and Review Commission

June 12, 2000



Introduction

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Executive Director

Virginia Housing Development Authority

Background

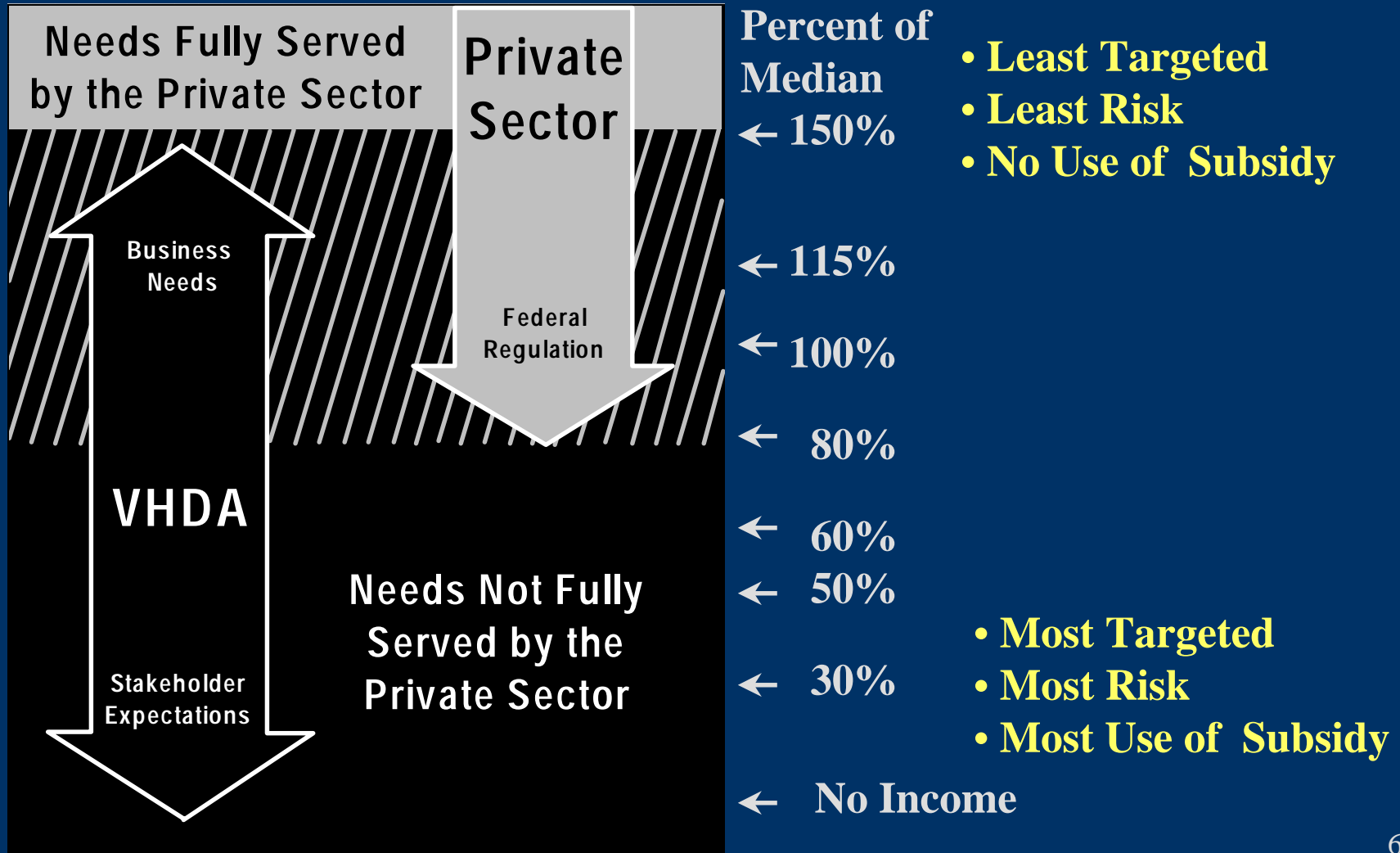
HJR 731 directs JLARC to
determine whether VHDA programs
are operating in accordance with the
declaration of intent with
§ 36-55.25 of *Code of Virginia*

Code of Virginia

... in order to **provide a fully adequate supply** of sanitary and safe **dwelling accommodations** at rents, prices, or other costs which such **[low and moderate income]** persons or families ...

Mandate Presents Challenges

VHDA's Public Purpose Challenge

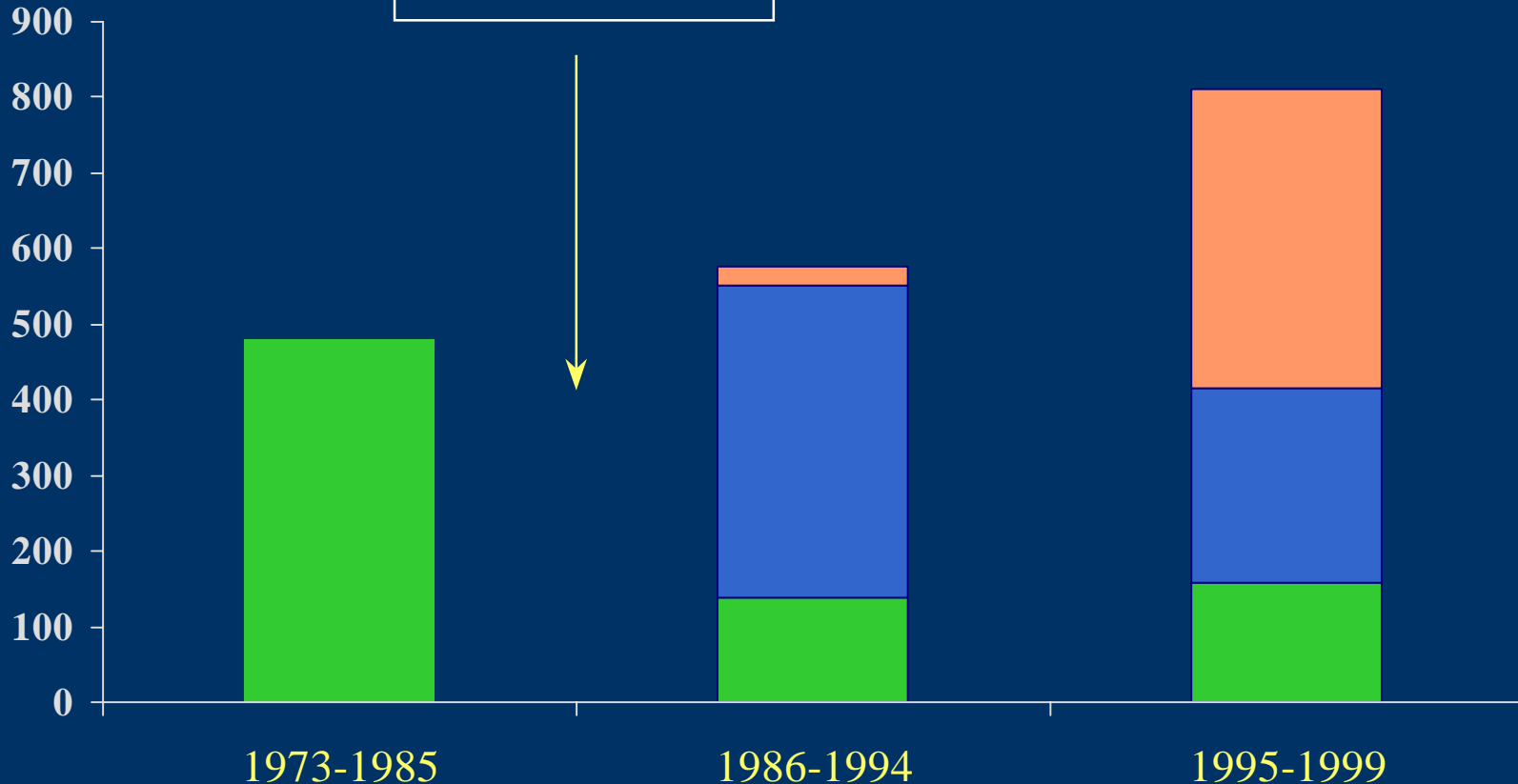


Financing Challenge

Average Annual Total Bond Issuance

1999 Dollars
in Millions

Tax Reform Act of
1986



 New Tax-Exempt Bonds  Tax-Exempt Refunding Bonds  Taxable Bonds

Business Philosophy Responds to the Challenges

Business Philosophies

- Maximize number of persons served
- Maximize resources
- Work with partners
- Conservative long-term resource management
- Adaptability

4 Key Questions

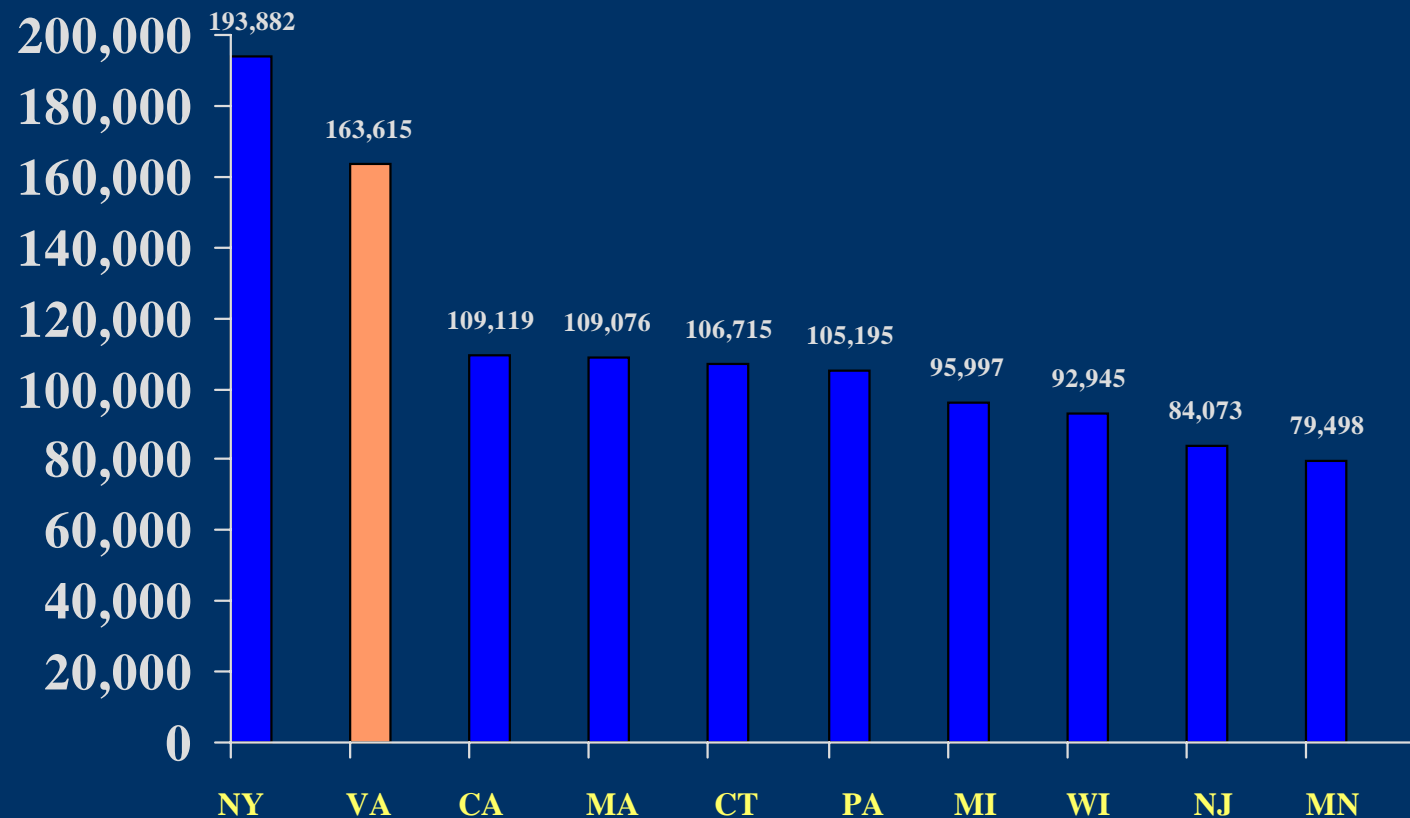
1. Has VHDA increased the supply of affordable housing?
2. Has VHDA encouraged investment in private capital?
3. Are the dwellings safe, sanitary, and affordable?
4. Can we do more?

Has VHDA Increased the Supply of Affordable Housing?

Top Ten Housing Finance Agencies

Total Housing Units Since Inception

Housing Units

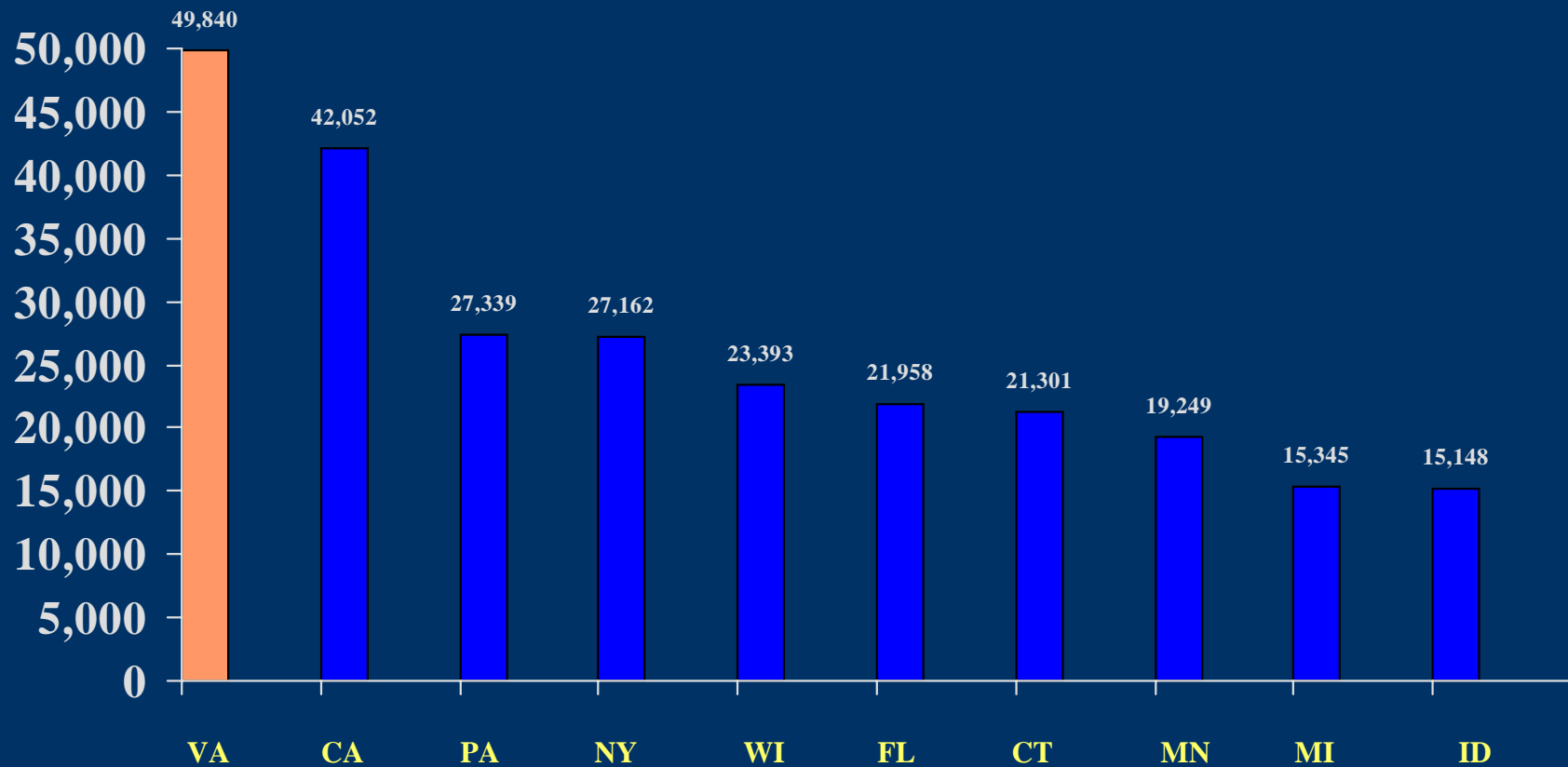


Housing Units Include Single Family and Multifamily

Top Ten Housing Finance Agencies

Five Year Total Production 1994-1998

Housing Units

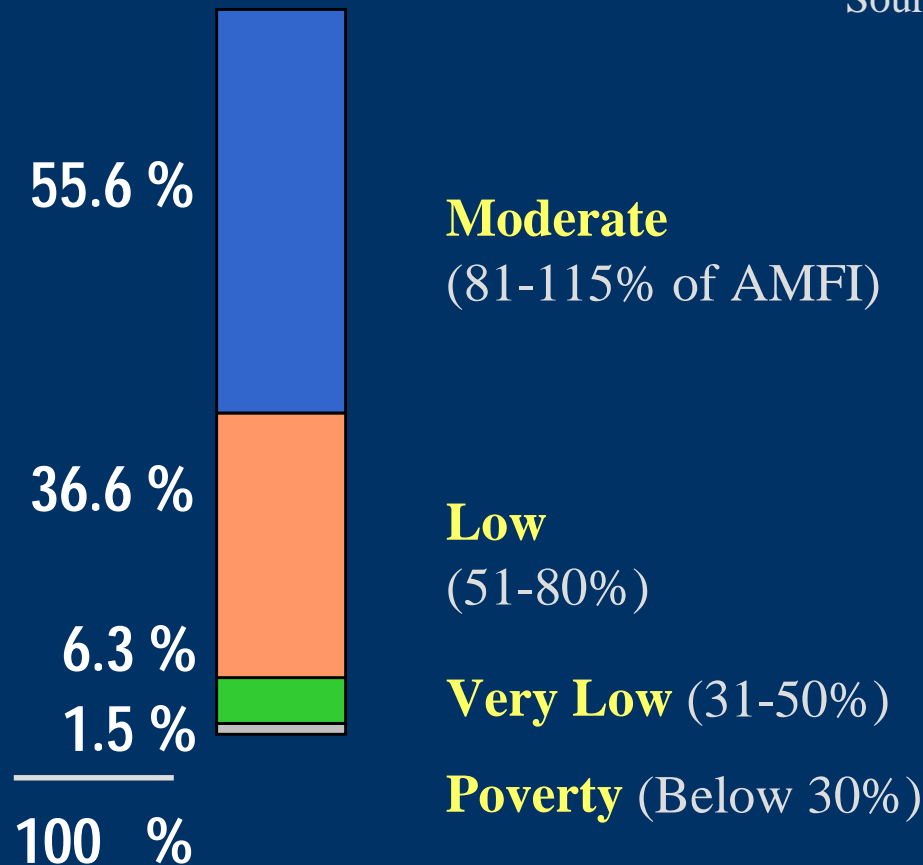


Housing Units Include Single Family and Multifamily

Meeting Virginia's Affordable Housing Needs

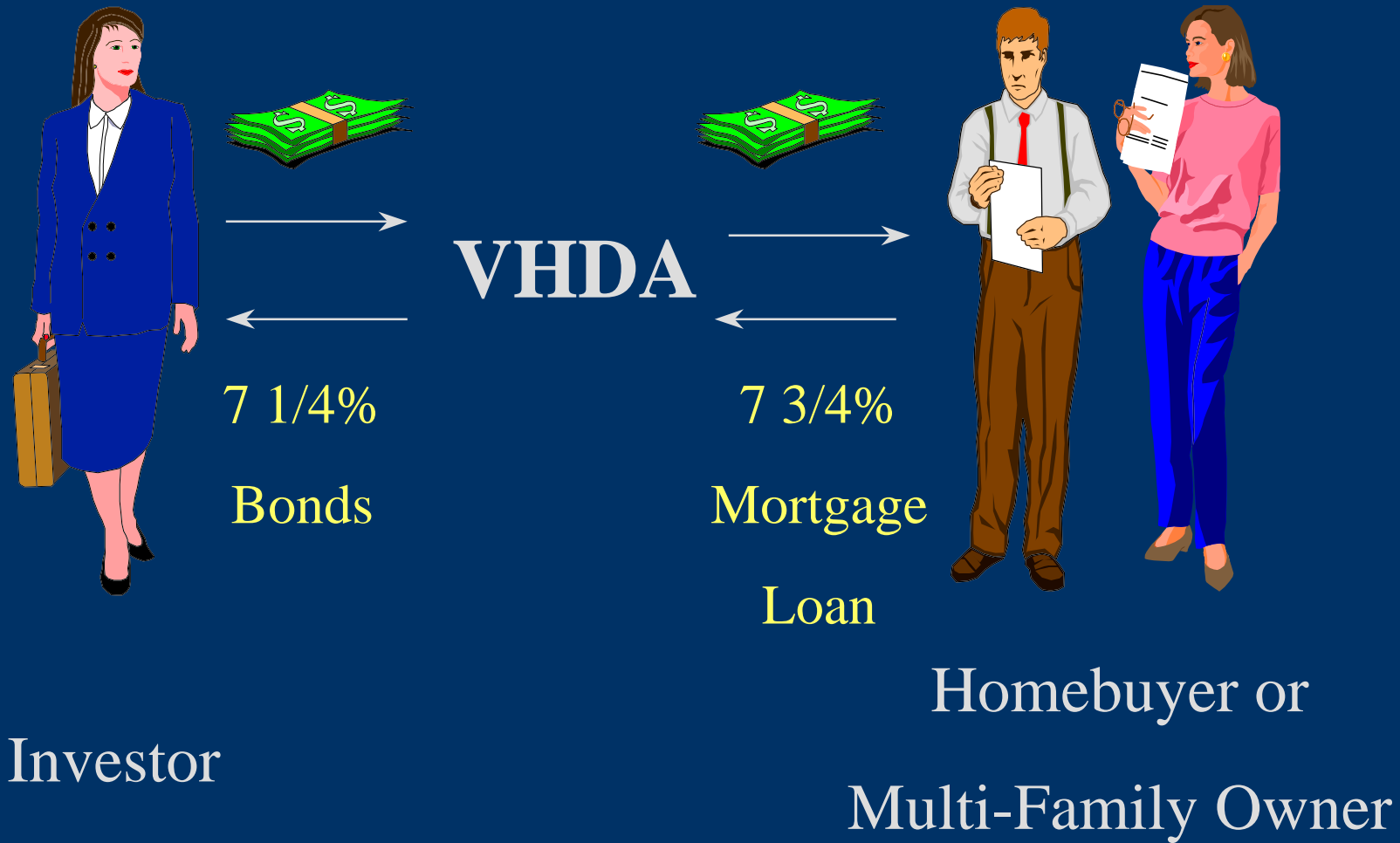
Percentage of VHDA Single Family Loans By Income Category 1995 - 1999

Source: JLARC staff analysis
of VHDA loan data



Has VHDA Encouraged Investment Of Private Capital?

VHDA: A Financial Intermediary



General Obligation Rating

S&P

AA+

Moody's

Aa1

Highest awarded to any housing finance agency

Highest General Obligation Rating

“VHDA enjoys the highest general obligation rating category of the state HFAs - Aa1. This very strong rating is due primarily to the Authority’s sizable unrestricted fund balance, and the depth and breadth of its management team. The strength of the Authority’s bond programs provides additional comfort and stability to the rating by greatly reducing the likelihood that the Authority would need to call upon these funds for needed transfers.”

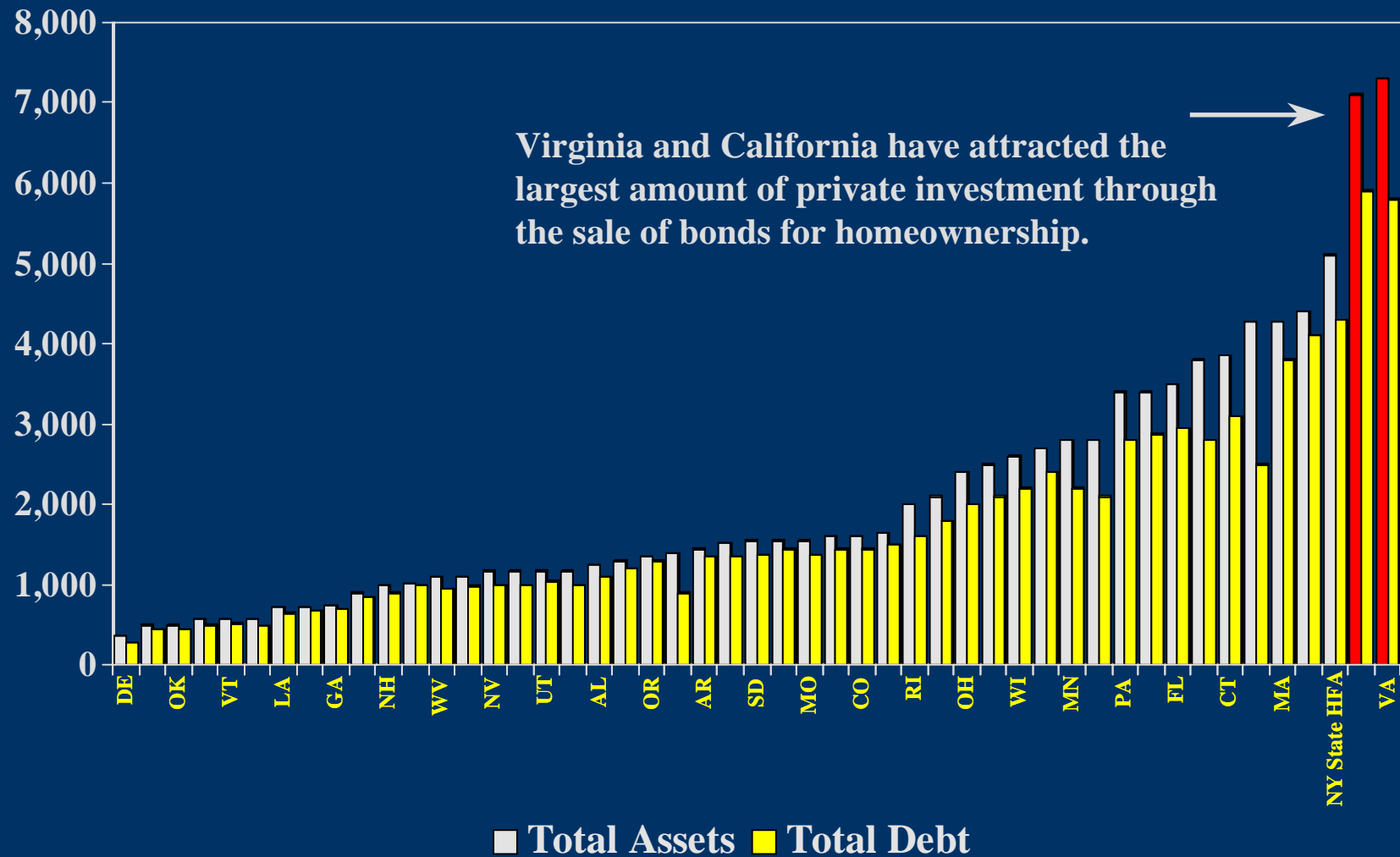
Moody’s

General Obligation Rating Agency Comparisons

Housing Finance Agency	Moody's	S&P
Virginia	Aa1	AA+
California	Aa3	AA-
Florida	A2	A
Massachusetts	A2	A
Michigan		AA-
Minnesota	Aa2	AA
New Jersey		AA-
Pennsylvania		AA
West Virginia	Aa1	AA+
Wisconsin	Aa3	AA-

Encourage Private Investment: HFAs Attract Bond Investments

Dollars in Thousands



Are the Dwellings Safe, Sanitary and Affordable?

Meeting State Low Income Housing Needs Safe, Sanitary, and Affordable

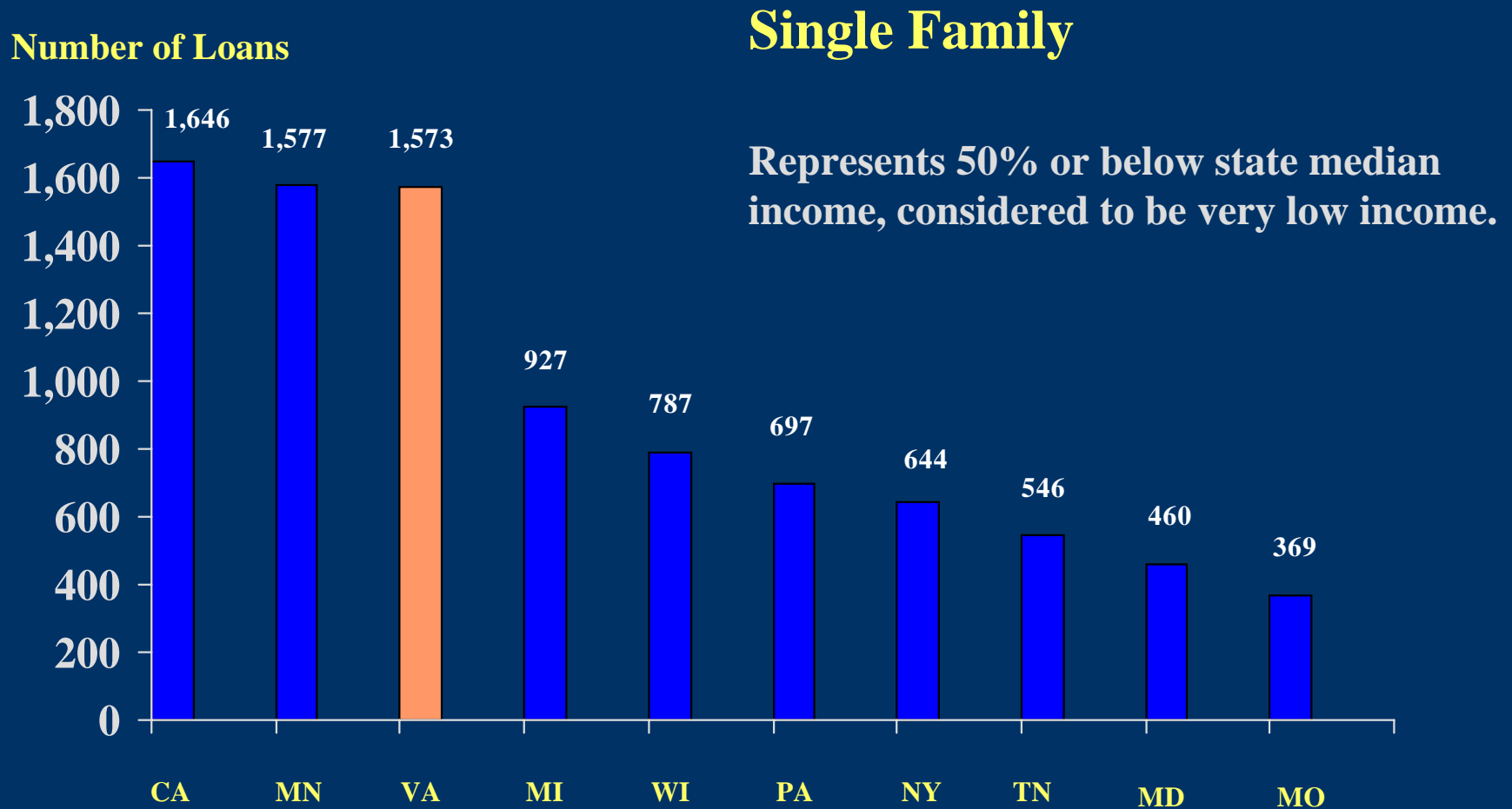
Multifamily

“VHDA has financed the development of safe and decent multifamily housing in all regions of the State.”

JLARC Report

Are the Dwellings Safe, Sanitary and *Affordable*?

Loans to Very Low Income Home Buyers: 1998



How Was VHDA Able to Serve So Many Very Low Income Home Buyers?

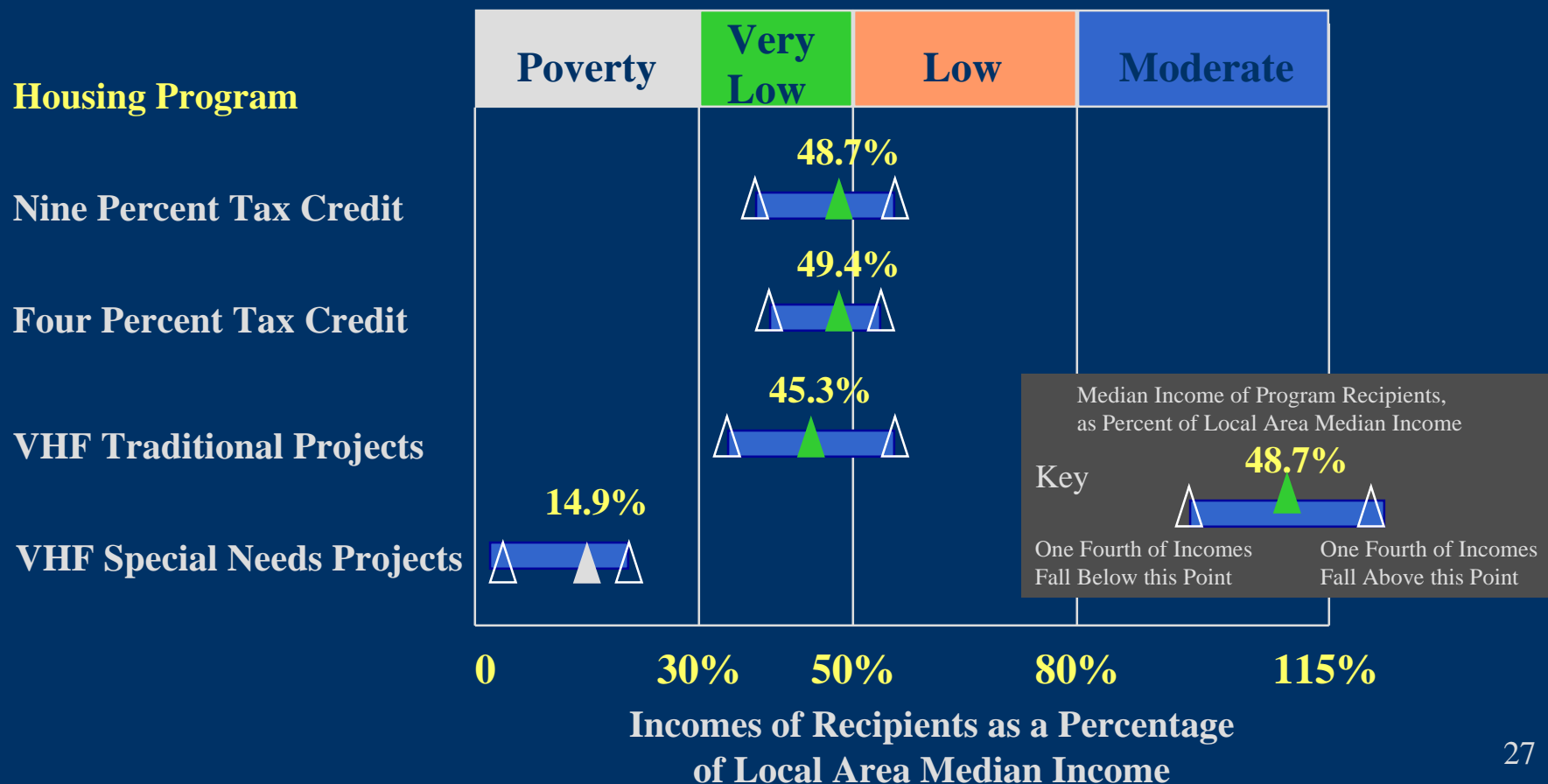
Making Homeownership Affordable

- Lower Interest Rates
- Down Payment Assistance
- Education
- In-House Servicing
- Outreach
- Non-Standard Properties
- Lower Fees and Points
- No Private Mortgage Insurance (PMI)

Meeting State Low Income Housing Needs

Multifamily

Source: JLARC staff analysis
of VHDA loan data



VHDA Has Been Successful

- Increasing Supply
- Encouraging Investment of Private Capital
- Financing Safe and Affordable Housing

**However,
Can We Do More?**

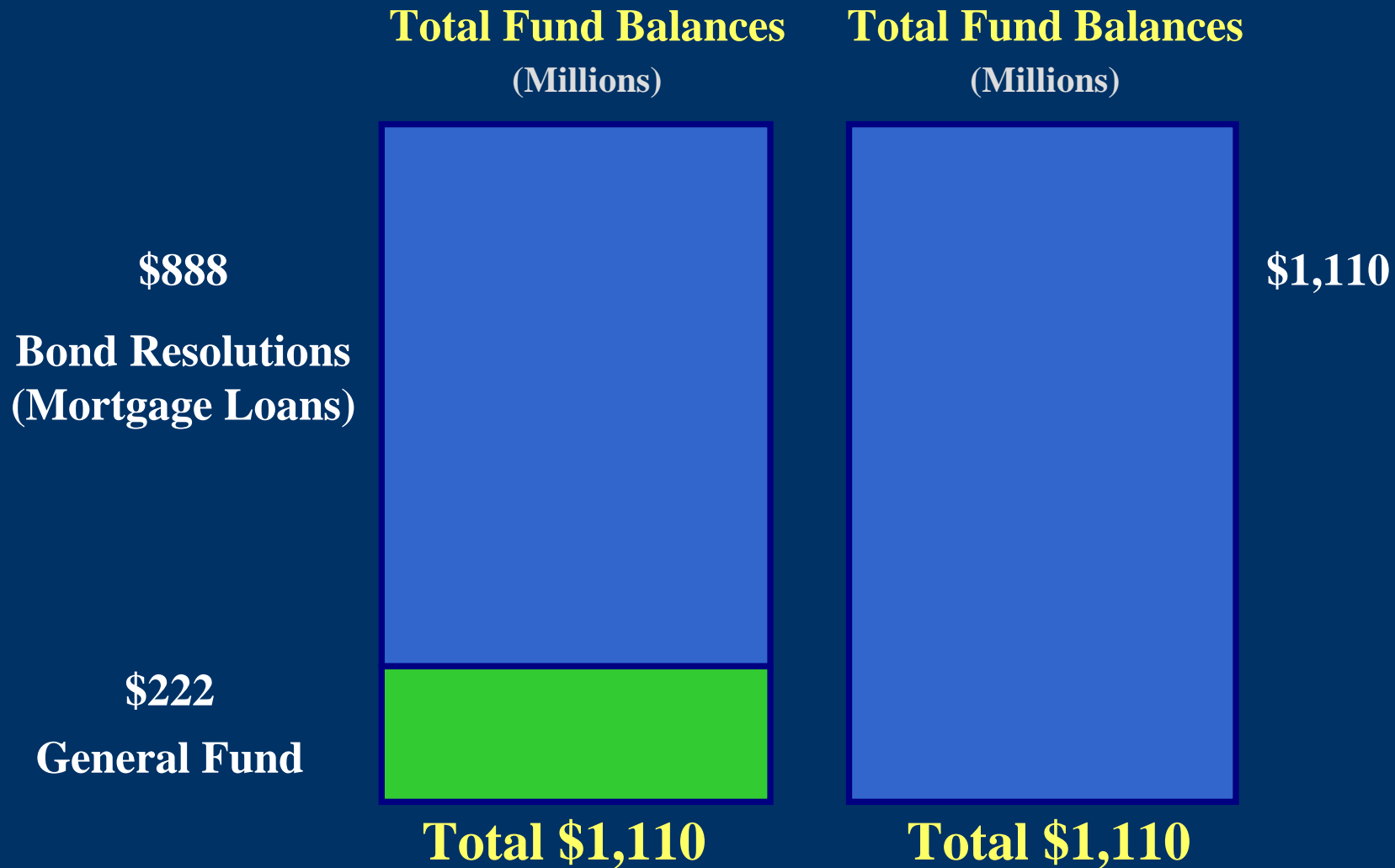
Meeting State Low Income Housing Needs

Safe, Sanitary, and Affordable: Special Financing Programs

- Virginia Housing Fund
 - Single Family Regional Loan Fund
 - Assisted Multifamily Lending
 - Housing for Special Needs
- Special Initiatives
- Section 8 Vouchers

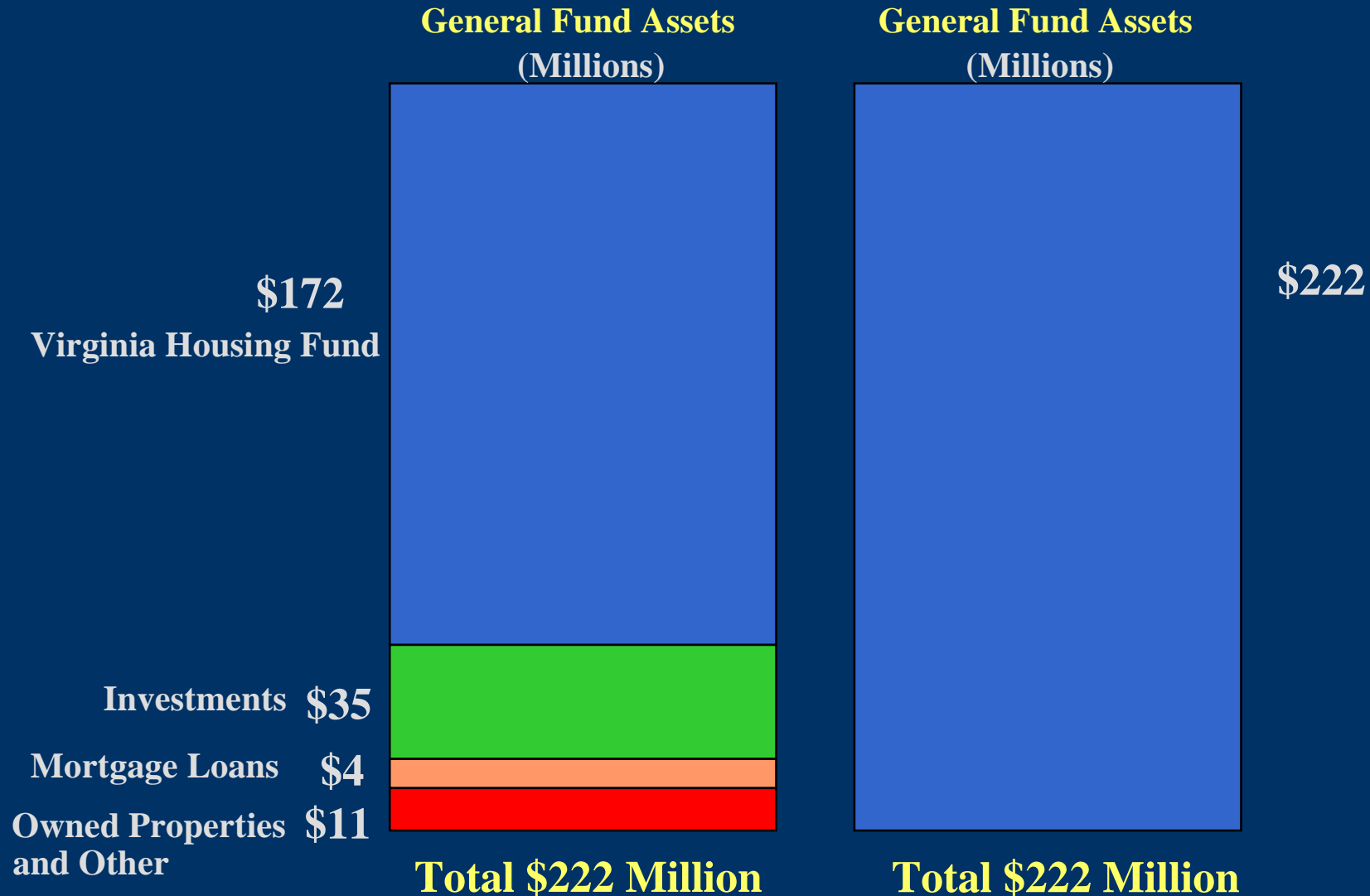
Meeting State Low Income Housing Needs

Virginia Housing Fund and Fund Balance



General Fund Assets (Net)

June 30, 2000



Helping to Revitalize Virginia's Cities

Chicago Manor Apartments



Helping to Build Self-Sufficiency

HELP Loan Program



Partnering with Federal Housing Agencies

Rural Homesteading



Effective Use of Taxable Bond Resources

Flexible Alternative Loan Programs



Outreach to Under-Served Regions and Populations

Mobile Mortgage Office



Leveraging the Resources of Faith-Based and Voluntary Organizations

Partnership with Habitat for Humanity



Serving the Needs of People with Disabilities

Lafayette Square



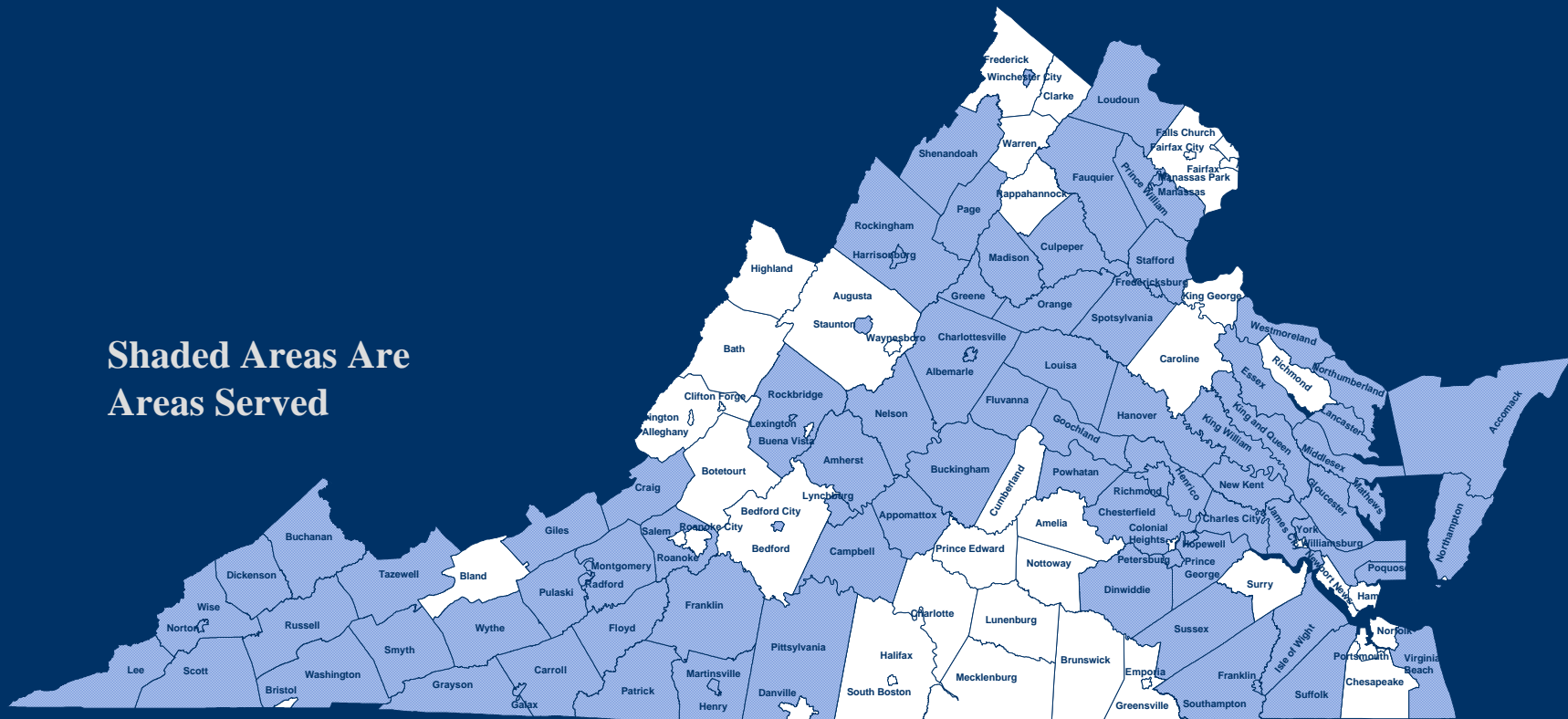
Meeting State Low Income Housing Needs

Safe, Sanitary, and Affordable: Section 8 Vouchers

- Serving Very Low Income Virginians
- Pursuing Program Improvements
- Working with Abt Associates (*Leading Section 8 Consulting Firm*)
- Operating in 89 Areas of the Commonwealth

Localities in Which VHDA Administers Section 8 Vouchers

Shaded Areas Are Areas Served



Looking Toward The Future

Looking Toward the Future

- Strategic Planning
- Stakeholder Relationships
- Partnership Opportunities
- Address JLARC Recommendations

The Future: Addressing JLARC Recommendations

Single Family Loan Programs

Recommendations

1. Conduct Single Family Loan Program Review to Better Meet Mission
2. Develop New Loan Products More Targeted to Low Income Needs

Response

Continuous Program Reviews

Market Needs Analysis

Stakeholder Input

New Products Evaluation Team

Low Income Lending Expansion

Continued Support for

- Regional Loan Fund
- Habitat for Humanity

Targeted Lending Objectives

The Future: Addressing JLARC Recommendations

Multifamily Loan Programs

Recommendations

3. Review Basis for Rent Determination and Consider Financing Incentives Such as Lower Interest Rates

4. Conduct Comprehensive State Housing Needs Assessment

Response

Low Income Housing Tax Credit
Allocation Plan Priority

Challenge Due to Absence of
Deep Subsidy Funds

Agreement on Importance of
Better Information

Must be Done with Housing
Partners

Should Reflect Dynamic Nature of
Housing Demand

The Future: Addressing JLARC Recommendations

Governance and Oversight

Recommendations

5. Code Amendment for Geographic Board Representation

16. Housing Study Commission Should Play More Active Oversight Role

Response

Governor's Discretion

Geographic Representation has Consistently Been Sought

Can Conflict in Practice With Professional/Industry Representation Requirement

Recognizes and Accepts Responsibility to Regularly Account to Administration and General Assembly

The Future: Addressing JLARC Recommendations

Section 8 Program

Recommendations

- | | |
|---|---|
| 6. Ensure All Federal Section 8 Funds Allocated to the Extent Practical | 10. Develop Regular Administrative Agent Training |
| 7. Modify Administrative Fee Negotiation Process with Administrative Agents | 11. Assess Section 8 Program Expenditures and Administrative Fees |
| 8. Automate Data Transmittal System | 12. Evaluate Transferring Section 8 Units to Local Agents |
| 9. Improve Payment Disbursement System | |

The Future: Addressing JLARC Recommendations

Section 8 Program

Response

Top Priority

Agreement on Recommendations 6-12

Have Engaged National Expert on Section
8 (Abt Associates) for
Comprehensive Review

Recommendations to be Executed
Expedientiously

The Future: Addressing JLARC Recommendations

Virginia Housing Fund

Recommendations

13. Contribute Maximum Feasible Amount to Virginia Housing Fund Without Adverse Financial Impact
14. Leave Interest Generated and Housing Fund Investments and Mortgages in the Virginia Housing Fund
15. Modify Contribution Assumptions

Response

VHDA Fully Agrees
Consultant Selection to be Accelerated

Future Fund Balance Studies Will Clearly Address Treatment and Disposition of Interest

Will Fully Involve Dept. of Housing & Community Development and Housing Study Commission in Selection of Consultant and Determination of Assumptions

Balancing Complex Needs

Public Purpose

- Assist low and moderate income persons obtain affordable housing
- Preserve/increase affordable housing supply
- Strengthen neighborhoods and communities
- Support family and individual self-sufficiency
- Support/stimulate Virginia's economy

Prudent Lending

- Manage all lending risks
- Balance high and low portfolio risks
- Accurately price assumed risk
- Mitigate losses
- Access external credit enhancements

Self-Supporting

- Remain self-supporting without tax dollars
- Generate sufficient net revenues to support ongoing programs, long-term investments, strong bond ratings, and Virginia Housing Fund
- Offset declining external subsidy resources



4 Key Questions

1. Has VHDA increased the supply of affordable housing? **Yes**
2. Has VHDA encouraged investment in private capital? **Yes**
3. Are the dwellings safe, sanitary, and affordable? **Yes**
4. Can we do more? **Yes**

Questions/Discussion
